

ARAB STEEL FACTORY Company
S.A.E.
Financial Statements
As of December 31, 2000

ARAB STEEL FACTORY, S.A.E.**BALANCE SHEET****As Of December 31, 2000**

| | <u>31-12-2000</u> | <u>31-12-2000</u> | <u>31-12-1999</u> |
|--|--------------------|--------------------|--------------------|
| | <u>U.S.\$</u> | <u>L.E.</u> | <u>L.E.</u> |
| Long Term Assets | | | |
| Fixed Assets(Net) | 596,603 | 2,243,228 | 223,667,627 |
| Other Assets (Net) | - | - | 19,594,401 |
| Long Term Investments | 31,914,894 | 120,000,000 | 124,000,000 |
| Notes Receivable | 50,989,361 | 191,720,000 | - |
| Due From Affiliates | 38,679,642 | 145,435,455 | - |
| Time Deposits | 41,227,890 | 155,016,865 | 139,333,505 |
| Total Long Term Assets | 163,408,390 | 614,415,548 | 506,595,533 |
| Current Assets | | | |
| Inventory | - | - | 97,847,319 |
| Accounts Receivable (Net) | 2,560,826 | 9,628,707 | 60,524,328 |
| Notes Receivable | 7,521,277 | 28,280,000 | - |
| Debtors - Short Term Balances | 165,797 | 623,395 | 95,313,867 |
| Cash at Banks | 12,611 | 47,418 | 529,262 |
| Total current Assets | 10,260,511 | 38,579,520 | 254,214,776 |
| Current Liabilities | | | |
| Due to banks | 4,354,527 | 16,373,020 | 47,983,190 |
| Provisions | - | - | 593,530 |
| Notes Payable | 1,338,725 | 5,033,605 | 827,745 |
| Creditors - Short Term Balances | 16,641 | 62,573 | 1,676,043 |
| Bonds interest accrual | 3,823,138 | 14,375,000 | 14,375,000 |
| Total Current Liabilities | 9,533,031 | 35,844,198 | 65,455,508 |
| Working Capital | 727,480 | 2,735,322 | 188,759,268 |
| Total Investments | 164,135,870 | 617,150,870 | 695,354,801 |
| To be financed as follows:- | | | |
| Shareholders' Equity | | | |
| Issued and Paid - Up Capital | 66,489,362 | 250,000,000 | 250,000,000 |
| Legal Reserve | 949,129 | 3,568,725 | 1,455,049 |
| Retained Earnings | 18,033,455 | 67,805,793 | 27,645,939 |
| Net Loss For The Year | (21,577,257) | (81,130,487) | 42,273,530 |
| Total Shareholders' Equity | 63,894,689 | 240,244,031 | 321,374,518 |
| Long term Liabilities | | | |
| Due to Holding Company | 31,648,936 | 119,000,000 | 119,000,000 |
| Bonds | 66,489,362 | 250,000,000 | 250,000,000 |
| Notes Payable | 2,102,883 | 7,906,839 | 4,980,283 |
| Total Long Term Liabilities | 100,241,181 | 376,906,839 | 373,980,283 |
| Total Financing of Working Capital and Long Term Assets | 164,135,870 | 617,150,870 | 695,354,801 |

The accompanying notes are an integral part of the financial statements.

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S dollars has been made at the rate of U.S.\$ 1.00 = L.E. 3.76

ARAB STEEL FACTORY, S.A.E.INCOME STATEMENTFor the Period From January 1, 2000 To June 30, 2000

| | <u>31-12-2000</u> | <u>31-12-2000</u> | <u>31-12-1999</u> |
|---|---------------------|---------------------|-------------------|
| | <u>U.S.\$</u> | <u>L.E.</u> | <u>L.E.</u> |
| Net Sales | 3,495,567 | 13,143,331 | 220,568,452 |
| Cost of Goods Sold | (1,692,963) | (6,365,541) | (138,578,827) |
| <u>Less</u> | | | |
| Fixed Assets Depreciation | (1,130,362) | (4,250,160) | (19,170,941) |
| Pre-production Tests Amortization | (43,040) | (161,831) | (647,324) |
| Gross profit | <u>629,202</u> | <u>2,365,799</u> | <u>62,171,360</u> |
| <u>Less</u> | | | |
| General and Administrative Expenses | 85,284 | 320,670 | 2,798,624 |
| Financing Expenses | 334,778 | 1,258,764 | 2,948,532 |
| Fixed Assets Depreciation | 256,485 | 964,382 | 1,026,500 |
| Other assets amortization | 5,168,237 | 19,432,570 | 2,771,680 |
| Foreign Exchange Difference | 149,126 | 560,716 | 102,546 |
| Bonds interest | 7,646,276 | 28,750,000 | 28,750,000 |
| Management Fess Due to Holding Co. | 3,639,628 | 13,685,000 | - |
| Permenant Decline in Long Term Investment | 1,063,830 | 4,000,000 | - |
| Provision for Doubtful Account | 23,670,213 | 89,000,000 | - |
| Tax adjustments | 1,278,918 | 4,808,731 | - |
| Total expenses | <u>43,292,775</u> | <u>162,780,833</u> | <u>38,397,882</u> |
| <u>ADD:</u> | | | |
| Extraordinary gain | - | - | 17,913,298 |
| Credit Interest | 4,197,796 | 15,783,712 | - |
| Capital Gain | 16,888,520 | 63,500,835 | - |
| Miscellaneous Revenue | - | - | 586,754 |
| Net Loss For the Year | <u>(21,577,257)</u> | <u>(81,130,487)</u> | <u>42,273,530</u> |

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S dollars has been made at the rate of U.S.\$ 1.00 = L.E. 3.76

Arab Steel Factory (S.A.E)
Cash Flow Statement
For the period from 1-1-2000 to 31-12-2000

| | <u>31-12-2000</u> <u>US\$</u> | <u>31-12-2000</u> <u>L.E</u> | <u>31-12-1999</u> <u>L.E</u> |
|---|----------------------------------|---------------------------------|---------------------------------|
| <u>Cash from operating activities</u> | | | |
| Net loss for the year | (21,577,257) | (81,130,487) | 42,273,530 |
| <u>Add</u> | | | |
| Depreciation of fixed assets | 1,386,847 | 5,214,542 | 20,197,441 |
| Amortization of other assets | 5,211,277 | 19,594,401 | 3,419,004 |
| Permanent decline in long term investments | 1,063,830 | 4,000,000 | - |
| Nonoperating capital gains | (16,888,520) | (63,500,835) | - |
| Provision for doubtful accounts | 23,670,213 | 89,000,000 | - |
| Net operating profits before change in working capital | (7,133,610) | (26,822,379) | 65,889,975 |
| Change in working capital | 25,676,090 | 96,542,102 | (28,041,672) |
| Net cash from operating activities | 18,542,480 | 69,719,723 | 37,848,303 |
| <u>Cash from investing activities</u> | | | |
| Change in fixed assets | 74,391,141 | 279,710,692 | (34,639,154) |
| Change in projects under construction | - | - | 18,219,188 |
| Change in other assets | - | - | (323,659) |
| Change in notes receivables - long term | (50,989,362) | (191,720,000) | - |
| Change in due from subsidiaries | (38,679,642) | (145,435,455) | - |
| Change in time deposits | (4,171,106) | (15,683,360) | (139,333,505) |
| Net cash from investing activities | (19,448,969) | (73,128,123) | (156,077,130) |
| <u>Cash from financing activities</u> | | | |
| Change in due to holding | - | - | 119,000,000 |
| Change in notes payable | 778,339 | 2,926,556 | 2,161,268 |
| Change in long term loans | - | - | (4,667,603) |
| Net cash from financing activities | 778,339 | 2,926,556 | 116,493,665 |
| Change in cash during the year | (128,150) | (481,844) | (1,735,162) |
| Cash at the beginning of the year | 140,761 | 529,262 | 2,264,423 |
| Cash at the end of the year | 12,611 | 47,418 | 529,262 |

ARAB STEEL FACTORY, S.A.E
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2000

1 - The Company

Arab Steel Factory was incorporated in Egypt in December 1994 under the law No. 159 of 1981 and under Law No. 95 of 1992 and its executive regulations, with the purpose of manufacturing the steel billets.

2 - Significant Accounting Policies

The significant Accounting Policies adopted in the preparation of the financial statements are set out below.

a) Basis of preparation of Financial Statements:

The accounts are made on the basis of the historical cost in accordance with the Egyptian Accounting standards.

b) Foreign Currency Transactions

The company maintains its accounts in Egyptian pound. Transactions in foreign currency during the year are translated to Egyptian pound using the prevailing exchange rates. At year end monetary assets and liabilities are evaluated by the prevailing exchange rate at that date, foreign exchange difference are charged in the income statement.

c) Fixed Assets

Fixed Assets are recorded at their historical cost, and are depreciated using the straight-line method for their estimated productive lives according to the following ratios:

| | |
|----------|-----|
| Vehicles | 20% |
|----------|-----|

d) Other Assets

Other Assets represents pre-opening expenses, these expenses represent costs incurred from formation till the starting date of activity. The outstanding balance of this cost has been fully amortized and changed to income statement in 2000.

General & Administrative Expenses

General & Administrative Expenses for the period for January 1, 2000 to December 31, 2000 amounted to L.E. 320,670 comprise the following:-

| | <u>31-12-2000</u> | <u>31-12-2000</u> |
|--------------------|--------------------------|--------------------------|
| | <u>L.E.</u> | <u>US\$</u> |
| Salaries and Wages | 96,619 | 25,697 |
| Travel Expenses | 230 | 61 |
| Tips | 50 | 13 |
| Miscellaneous | 54 | 14 |
| Social Insurance | 3,360 | 894 |
| Telephone & Fax | 1,132 | 301 |
| Stationary | 416 | 112 |
| Subscription | 1,252 | 333 |
| Security | 20,047 | 5,333 |
| Car Expenses | 18,898 | 5,026 |
| Medical Care | 1,124 | 299 |
| Cleaning Expenses | 1,234 | 328 |
| Audit Fees | 30,000 | 7,979 |
| Banks Charges | 146,254 | 38,894 |
| | <u>320,670</u> | <u>85,284</u> |